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DANNHAUSER MUNICIPALITY
DANNHAUSER MUNISIPALITEIT

ANNUAL FINANCIAL STATEMENTS FOR
THE YEAR ENDED 30 JUNE 2011

DANNHAUSER MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS AS AT 30 JUNE 2011

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DANNHAUSER MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2011

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DANNHAUSER MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR PERIOD ENDING 30 JUNE 2011

General information

Members of the Council

Cllr JP Phakathi	Mayor
Cllr VM Ndaba	Deputy Mayor
Cllr ZS Ngubeni	Speaker
Cllr MA Sibeko	Member of the Executive Committee
Cllr TV Mabanga	Member of the Executive Committee
Cllr NM Majola	Member
Cllr MP Sithole	Member
Cllr NS Hlongwane	Member
Cllr MR Nyembe	Member
Cllr HV Mdakane	Member
Cllr LL Mabaso	Member
Cllr MA Ngidi	Member
Cllr AH Buthelezi	Member
Cllr NJ Mhlungu	Member
Cllr ES Kunene	Member
Cllr AN Radebe	Member
Cllr SN Ndlovu	Member
Cllr PP Nene	Member
Cllr NGJ Manyathi	Member
Cllr MA Buthelezi	Member
Cllr MB Shabalala	Member

Municipal Manager
WB Nkosi

Chief Financial Officer
BB Mdletshe

Grading of Local Authority
Grade 2

Auditors
Auditor-General of South Africa

Bankers
ABSA Bank Limited - Newcastle
Standard Bank of SA Limited - Dannhauser
First National Bank Limited - Newcastle

DANNHAUSER MUNICIPALITY
ACCOUNTING OFFICER'S RESPONSIBILITIES AND APPROVAL

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are responsible for reporting on the fair presentation of the annual financial statements.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practices (GRAP).

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2011 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the income from services, rates and grants for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the council has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

"I am responsible for the preparation of these annual financial statements, which are set out on pages 5 to 38, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

DANNHAUSER MUNICIPALITY
ACCOUNTING OFFICER'S RESPONSIBILITIES AND APPROVAL

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 22 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act."

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 10.

"I am responsible for the preparation of these annual financial statements, which are set out on pages 11 to 62, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared on the going concern basis and were approved by the Accounting officer.

WB NKOSI
Accounting Officer

Date : 30 August 2011

The report of the Auditor-General will be inserted after the audit.

DANNHAUSER MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2011

	Note	2011 R	RESTATED 2010 R
Assets			
Non-current assets			
Property, plant and equipment	5	228 213 809	245 870 860
Intangible assets	6	64 191	120 299
Investment property carried at cost	7	6 508 000	6 508 000
		234 786 000	**252 499 159**
Current assets			
Cash and cash equivalents	2	0	6 276 940
Trade and other receivables	3	8 107 917	1 330 940
Investments	4	22 933 673	21 408 174
VAT receivable	10	3 316 440	1 466 822
		34 358 029	**30 482 876**
Total assets		**269 144 029**	**282 982 035**
Equity and Liabilities			
Equity			
Housing development fund		350 181	346 779
Revaluation Reserve		233 029 078	233 029 078
Accumulated surplus		6 523 512	30 011 365
Total Equity		**239 902 771**	**263 387 222**
LIABILITIES			
Non-current liabilities			
Non-current unspent conditional grants and receipts	12	11 067 906	12 912 394
Post Retirement Benefit	8	5 316 046	
		16 383 952	**12 912 394**
Current liabilities			
Trade and other payables from exchange transactions	9	8 936 029	6 571 172
Bank Overdraft	2	821 277	0
Provisions	11	3 100 000	111 247
		12 857 306	**6 682 419**
Total liabilities		**29 241 258**	**19 594 813**
Total Equity and Liabilities		**269 144 029**	**282 982 035**

DANNHAUSER MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2011

	Notes	Housing Development Fund R	Revaluation Reserve	Accumulated Surplus R	Total Net Assets R
Balance as at 30 June 2009 as previously reported		346 779		21 633 712	21 980 491
Restatements due to GRAP conversion	5.2	-	233 029 078	0	233 029 078
Restated balance at 1 July 2009		346 779	233 029 078	21 633 712	255 009 569
Interest on housing funds		0		-	0
Surplus for the period		-		8 377 653	8 377 653
Balance as at 30 June 2010		346 779	233 029 078	30 011 365	263 387 222
Property, plant and equipment restatement	5.2	-		-	0
Restated balance 1 July 2010 - AS PER AFS		346 779	233 029 078	30 011 365	263 387 222
Surplus for the period		3 402	-	-19 309 640	-19 306 238
Adjustment for PAYE, UIF and SDL Prior liability				-4 178 213	-4 178 213
Balance as at 30 June 2011		350 181	233 029 078	6 523 512	239 902 771

DANNHAUSER MUNICIPALITY
CASH FLOW STATEMENT FOR THE PERIOD ENDING 30 JUNE 2011

	Note	2 011 R	2 010 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts		**62 204 008**	**53 217 024**
Sales of goods and services		10 005 050	9 334 276
Grants		50 669 260	42 735 101
Interest received		1 175 318	1 147 647
Other Receipt		354 380	
Payments		85 688 459	34 846 552
Employee costs		16 151 265	16 060 351
Suppliers		52 839 603	15 566 547
Interest paid			-
Grant		**16 697 591**	**3 219 654**
Net cash flows from operating activities	**28**	**(23 484 451)**	**18 370 472**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets		17 713 159	(13 825 804)
Working Capital		198 573	
Proceeds from sale of fixed assets		-	-
Proceeds from sale of investments		(1 525 499)	(1 147 642)
Purchase of foreign currency securities			
Net cash flows from investing activities		**16 386 233**	**(14 973 446)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
Proceeds from finance lease liability		-	-
Repayment of finance lease liability		-	-
Net cash flows from financing activities		-	-
Net increase / (decrease) in net cash and cash equivalents		(7 098 218)	3 397 026
Net cash and cash equivalents at beginning of period		6 276 940	2 879 914
Net cash and cash equivalents at end of period		**(821 278)**	**6 276 940**

1 BASIS OF ACCOUNTING

1.1.1 BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.
These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the

Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).
The principal accounting policies adopted in the preparation of these annual financial statements are set out below.
Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.1.2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.1.3 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.1.4 COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.
As this is the second year of adoption of GRAP, the prior year comparatives have been restated to comply with the GRAP framework, which has resulted in full retrospective application. The effect of these changes is disclosed.

1.1.5 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:
GRAP 18 - Segment Accounting and GRAP 21 - Impairment of Non-cash-generating assets.
GRAP 23 - Revenue from Non-exchange Transactions (Taxes and Transfers)
GRAP 25 - Employee Benefits
GRAP 26 - Impairment of Cash-generating Assets
GRAP 103 - Heritage Assets
GRAP 104 - Financial Instruments

Adoption of these standards and interpretations are not expected to have a significant impact on the municipality.

1.1.6 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement are inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables and loans and receivables

The municipality assesses its trade receivables and loans and receivables for impairment at each reporting date. In determining whether an impairment loss should be recorded in the statement of financial performance, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, default and delinquency in payments are considered indicators that the trade receivables are impaired.

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Effective interest rate
The municipality used the incremental borrowing rate to discount future cash flows.

Provisions
Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates is included in note 10.

1.1.7 DIRECTIVE 4

As allowed by the transitional provisions included in Directive 4, the following asset classes have not been fully measured in accordance with the relevant GRAP standard for the year ended 30 June 2011.

- Investment properties(GRAP 16)
- Property, plant and equipment (GRAP 17)
- Provisions – Site restoration and dismantling (GRAP 19)
- Intangible assets (GRAP 102)

Management has started the process of physical verification, decomponentisation and evaluation of these assets and provisional amounts for each of these asset classes are included in the statement of financial position.

1.2 PROPERTY, PLANT AND EQUIPMENT

1.2.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.
When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.
Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired. Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.
Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.2.3 SUBSEQUENT MEASUREMENT - COST MODEL

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.
Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

1.2.4 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Property & performance works 25 - 30 years
Transport assets 5 - 8 years
Machinery & equipment 7 - 10 years
Office furniture & equipment 7 - 10 years
Heritage assets represent municipal jewellery which are non depreciable assets

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the statement of financial performance.

1.2 PROPERTY, PLANT AND EQUIPMENT (continued)

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

1.2.5 DERECOGNITION

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.2.6 DIRECTIVE 4

The municipality has utilised the transitional provisions of Directive 4 which are available to low capacity municipalities for the year ended June 30, 2011. Property, plant and equipment have therefore not been measured in accordance with GRAP 17 or the accounting policy above. A "provisional" amount has been determined by management, which will be used until the GRAP 17 measurement process is completed. It is anticipated that this process will be completed by June 30, 2012.

1.3 INTANGIBLE ASSETS

1.3.1 INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.
Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:
the municipality intends to complete the intangible asset for use or sale;
it is technically feasible to complete the intangible asset;
the municipality has the resources to complete the project; and
it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.
Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.
Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

1.3 INTANGIBLE ASSETS (continued)

1.3.2 SUBSEQUENT MEASUREMENT - COST MODEL

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.3.3 AMORTISATION AND IMPAIRMENT

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method.
The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.
The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.
Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

- Computer software 5 years

1.3.4 DERECOGNITION

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.3.5 DIRECTIVE 4

The municipality has taken advantage of the transitional provisions of Directive 4 which are available to low capacity municipalities for the year ended June 30, 2011. Intangible assets have therefore not been measured in accordance with GRAP 102 or the accounting policy above. A "provisional" amount has been determined by management, which will be used until the GRAP 102 measurement process is completed. It is anticipated that this process will be completed by 30 June 2011.

1.4 INVESTMENT PROPERTY

1.4.1 INITIAL RECOGNITION

Investment property includes property held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.
At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is the cost at date of completion.

1.4.2 SUBSEQUENT MEASUREMENT - COST MODEL

Investment property is measured using the cost model. Under the cost model, investment property is carried at cost less any accumulated depreciation and any accumulated impairment losses.
Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.
Land is not depreciated.
The useful life of buildings is 7 years

1.4.3 DIRECTIVE 4

The municipality has taken advantage of the transitional provisions of Directive 4 which are available to low capacity municipalities for the year ended 30 June 2011. Investment properties have therefore not been measured in accordance with GRAP 16 or the accounting policy above. A "provisional" amount has been determined by management, which will be used until the GRAP 16 measurement process is completed. It is anticipated that this process will be completed by 30 June 2012.

1.5 FINANCIAL INSTRUMENTS

1.5.1 CLASSIFICATION

The municipality classifies financial assets and financial liabilities into the following categories:

- Loans and receivables
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis.

1.5.1.1 INITIAL RECOGNITION

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.
Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available for sale financial assets.
Transaction costs are included in the initial measurement of the instrument.

1.5.2 SUBSEQUENT MEASUREMENT

Loans and receivables and trade debtors are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.
Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

1.5 FINANCIAL INSTRUMENTS (continued)

1.5.2.1 INVESTMENTS

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

1.5.2.2 TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorised as financial assets, loans and receivables and are subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.
An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.
Trade and other receivables are classified as loans and receivables.

1.5.2.3 TRADE PAYABLES AND BORROWINGS

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost and are subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.
Trade payables are subsequently measured at amortised cost, using the effective interest rate method.

1.5.2.4 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash and cash equivalents are subsequently recorded at amortised cost as loans and receivables.
Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

1.6 PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an

outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable. Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

1.6.1 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- subject to the criteria below, changes in the liability are added to, or deducted from, the cost of the related asset in the current period
- if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount, and any impairment loss is recognised in surplus or deficit.

DIRECTIVE 4

The municipality has taken advantage of the transitional provisions of Directive 4 which are available to low capacity municipalities for the year ended 30 June 2011. Certain provisions have therefore not been measured in accordance with GRAP 19 or the accounting policy above. A "provisional" amount has been determined by management, which will be used until the GRAP 19 measurement process is completed. It is anticipated that this process will be completed by 30 June 2012.

1.7 LEASES

1.7.1 MUNICIPALITY AS LESSEE

FINANCE LEASE

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangible assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

OPERATING LEASE

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

Any contingent rents are expensed in the period they are incurred.

1.7.2 MUNICIPALITY AS LESSOR

OPERATING LEASE

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

1.8 REVENUE

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption. Meters are read on a quarterly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

1.8.1 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption. Meters are read on a quarterly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

1.8.1 REVENUE FROM EXCHANGE TRANSACTIONS Cont.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

1.8.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.
Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

1.8.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS (continue)

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.
Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.
Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

1.9 GRANTS, TRANSFERS AND DONATIONS

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

1.1 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

1.11 RETIREMENT BENEFITS

The municipality provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable.
The defined benefit funds, which are administered on a provincial basis, are treated as defined contribution plans by the municipality as allowed by IAS 19 Employee benefits. Specific actuarial information in respect of individual participating municipalities is unavailable due to centralised administration of these funds.

1.12 IMPAIRMENT OF ASSETS

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.
Irrespective of whether there is any indication of impairment, the municipality also tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.
If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

1.12 IMPAIRMENT OF ASSETS cont.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

1.13 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003).

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.14 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the statement of financial performance and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.15 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the statement of financial performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.16 GOVERNMENT GRANTS

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

1.16.1 HOUSING DEVELOPMENT FUND

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

		2 011	2 010
		R	R
2	**CASH AND CASH EQUIVALENTS**		
	Cash and cash equivalents consists of:		
	Cash on hand	3 200	3 200
	Cash at bank	-824 477	6 273 740
		-821 277	6 276 940
	The Municipality has the following bank accounts:		
	Current account (Primary bank account)		
	Standard Bank limited of South Africa – Dannhauser Account number 060032073		
	Cash book balance at beginning of year	6 273 740	2 876 714
	Cash book balance at end of year	-821 277	6 273 740
	Bank statement balance at beginning of year	7 864 634	3 406 433
	Bank statement balance at end of year	1 964 903	7 864 634
	Cash on hand	3 200	3 200
	Total cash and cash equivalents	-821 277	6 276 940
	Total bank overdraft	-	-

			Gross Balances	Provision for Doubtful Debts	Net Balance
3	**TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS**				
		2011 R	R	R	R
	Service debtors				
	Rates		7 279 335	-	7 279 335
	Refuse		1 259 179	-990 640	268 539
	Total		8 538 514	-990 640	7 547 874
	Less: Unallocated Receipts		-	-	-
	Total Trade Receivables		8 538 514	-990 640	7 547 874
	Other Receivables		560 043	-	560 043
	Debtors Adjustment		-		-
	Total Trade and Other Receivables		9 098 557	-990 640	8 107 917

		Gross Balances	Provision for Doubtful Debts	Net Balance
		R	R	R
Service debtors	2010			
Rates		5 950 174	-4 031 664	1 918 510
Refuse		906 745	-602 434	304 311
Total		6 856 919	-4 634 098	2 222 821
Less: Unallocated Receipts		-972 494	-	-972 494
Total Trade Receivables		5 884 425	-4 634 098	1 250 327
Other Receivables		143 657	-63 044	80 613
Total Trade and Other Receivables		6 028 082	-4 697 142	1 330 940

		2 011	2 010
3.1.	**Rates : Ageing**		
	Current (0 - 30 days)	194 833	396 985
	31 - 60 Days	334 406	349 663
	61 - 90 Days	325 905	361 232
	91 - 120 Days	160 298	545 482
	121 - 365 Days	6 264 079	4 296 812
	Total	7 279 522	5 950 174
	Refuse : Ageing		
	Current (0 - 30 days)	58 713	51 628
	31 - 60 Days	51 522	46 341
	61 - 90 Days	48 128	44 448
	91 - 120 Days	47 491	42 633
	121 - 365 Days	1 053 325	721 695
	Total	1 259 179	906 745

3.2. **Summary of Trade Receivables per customer classification**

2011	Total	Residential	National and Provincial Goverment
Current (0-30 days)	253 546	-4 408	257 953
31 – 60 Days	385 928	280 436	105 492
61 – 90 Days	374 034	268 540	105 493
91 – 120 Days	207 789	106 010	101 779
121 – 365 Days and over	7 317 404	6 221 504	1 095 900
Subtotal	**8 538 701**	**6 872 082**	**1 666 619**
Less Provision for doubtful debts	-990 640	-990 640	-
Total debtors per customer classification	**7 548 061**	**5 881 442**	**1 666 619**

Summary of Trade Receivables per customer classification

2010	Total	Residential	National and Provincial Goverment
Current (0-30 days)	448 613	390 522	58 091
31 – 60 Days	396 004	344 814	51 190
61 – 90 Days	405 680	356 219	49 461
91 – 120 Days	588 115	538 612	49 503
121 – 365 Days and over	4 046 012	3 679 805	366 207
Subtotal	**5 884 424**	**5 309 972**	**574 452**
Less Provision for doubtful debts	-4 634 097	-4 218 388	-415 709
Total debtors per customer classification	**1 250 327**	**1 091 584**	**158 743**

Due to the system limitations the 2011 age analysis could not be reclassified on a reasonable basis.

	2 011	**2 010**
3.3. Reconciliation of the doubtful debt provision		
Balance at beginning of the year	4 697 142	1 090 538
Contributions to provision		3 606 604
Doubtful debts written off against provision	-	-
Reversal of provision	-3 706 502	-
Balance at end of year	990 640	4 697 142

3.4. Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2011, R 898924 (2010: R 813 550) were past due but not impaired. The ageing of the amounts past due but not impaired is as follows:

1 Month past due	446 150	401 937
2 Months past due	452 774	411 613
	898 924	813 550

		2 011	2 010
3.5.	**Trade and other receivables impaired**		
	As of 30 June 2011, trade and other receivables of R 5 703 316 (2010: R 4 697 141) were impaired and provided for. The ageing of these receivables is as follows:		
	3 months past due	1 691 949	594 420
	Over 3 months past due	7 244 080	4 102 721
		8 936 029	4 697 141
	The fair value of the trade and other receivables approximates their carrying amount.		
4	**INVESTMENTS**		
	Call investments	22 933 673	21 408 174
		22 933 673	21 408 174
	Call investments consists of 32 day call accounts and notice accounts with reputable financial institutions.		
5	**PROPERTY, PLANT AND EQUIPMENT**		
5.1.	**Details of property**		
	The municipality owns a number of properties.		
	A full list of all the properties owned by the municipality and their details are available at the registered Office of the Municipality.		

5.2.	**PROPERTY, PLANT AND EQUIPMENT**	**Restated 2010**	**Previously Reported 2010**
	Cost	482 428 637	26 918 769
	Accumulated depreciation and impairment losses	-236 557 777	-8 005 648
	Net carrying value	245 870 860	18 913 121

		2 011	**2 010**
	Cost	486 270 304	482 428 637
	Accumulated depreciation and impairment losses	-258 056 496	-236 557 777
	Net carrying value	228 213 809	245 870 860
	There is no restriction on Property Plant and Equipment There are no property plant and equipment pledged as security.		
	There are no iddling, full depreciated still use, retired assets held fore sale and disposed property plant and equipment.		

Note: 5.2. PROPERTY, PLANT AND EQUIPMENT (continued)

2011 *Reconciliation of carrying value*	*Land*	*Buildings*	*Infrastructure*	*Heritage*	*Machinery & Equipment*	*Furniture & Office Equipment*	*Computer Equipment*	*Motor Vehicles*	*Total*
	R	R	R	R	R	R	R	R	R
As at 1 July 2010	**1 138 950**	**92 846 810**	**147 919 797**	**55 576**	**590 308**	**731 234**	**725 414**	**1 862 771**	**245 870 860**
Costs/Valuation	1 138 950	212 605 957	262 153 281	55 576	1 099 975	1 264 742	1 382 645	2 727 511	482 428 637
Change in accounting estimate	-	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-119 759 147	-114 233 484	-	-509 667	-533 508	-657 231	-864 740	-236 557 777
Acquisitions	-	-	-	-	346 096	242 777	118 674	3 134 120	3 841 668
Depreciation	-	-4 307 636	-16 145 789	-	-146 135	-185 073	-233 837	-480 249	-21 498 719
Impairment loss	-	-	-	-	-	-	-	-	-
Reversal of impairment loss	-	-	-	-	-	-	-	-	-
As at 30 June 2011									
	1 138 950	**88 539 174**	**131 774 008**	**55 576**	**790 269**	**788 939**	**610 251**	**4 516 642**	**228 213 809**
Costs/Valuation	1 138 950	212 605 957	262 153 281	55 576	1 446 071	1 507 519	1 501 319	5 861 631	486 270 304
Accumulated depreciation and impairment losses	-	-124 066 783	-130 379 273	-	-655 802	-718 580	-891 068	-1 344 989	-258 056 496

Refer to Appendix A for more detail on property, plant and equipment

Note : 5.2 PROPERTY, PLANT AND EQUIPMENT (continued) - Restated 2010

2010 *Reconciliation of carrying value*	*Land*	*Buildings*	*Infrastructure*	*Heritage*	*Machinery & Equipment*	*Furniture & Office Equipment*	*Computer Equipment*	*Motor Vehicles*	*Total*
	R	R	R	R	R	R	R	R	R
As at 1 July 2009	**1 138 950**	**90 732 966**	**147 919 797**	**55 576**	**606 267**	**568 259**	**452 827**	**1 465 228**	**242 939 870**
Costs/Valuation	1 239 792	4 676 920	-	55 576	948 586	844 065	906 588	1 356 669	10 028 196
Change in accounting policy	-100 842	205 653 522	262 153 281	-0	37 303	102 060	37 099	791 039	468 673 462
Accumulated depreciation and impairment losses	-	-119 597 476	-114 233 484	-	-379 622	-377 866	-490 860	-682 480	-235 761 788
Acquisitions	-	2 275 515	-	-	114 086	318 617	438 958	579 803	3 726 979
Depreciation	-	-147 906	-	-	-115 755	-153 797	-165 950	-144 906	-728 314
Impairment loss	-	-13 765	-	-	-14 290	-1 845	-421	-37 354	-67 675
Reversal of impairment loss	-	-	-	-	-	-	-	-	-
As at 30 June 2010									
	1 138 950	**92 846 810**	147 919 797	**55 576**	**590 308**	**731 234**	**725 414**	**1 862 771**	**245 870 860**
Costs/Valuation	1 138 950	212 605 957	262 153 281	55 576	1 099 975	1 264 742	1 382 645	2 727 511	482 428 637
Accumulated depreciation and impairment losses	-	-119 759 147	-114 233 484	-	-509 667	-533 508	-657 231	-864 740	-236 557 777

Refer to Appendix A for more detail on property, plant and equipment

		2 011	2 010
6	**INTANGIBLE ASSETS**		
6.1.	**Reconciliation of carrying value**	**Computer Software**	**Restated Computer Software**
		R	R
	2011		
	As the Beginning of the Year	120 299	168 312
	Cost	285 141	285 141
	Change in accounting policy		-
	Accumulated amortisation and impairment losses	-164 842	-116 829
	Acquisitions	-	-
	Amortisation	-56 108	-48 013
	Carrying value of disposals	-	-
	Cost	-	-
	Accumulated amortisation	-	-
	Impairment loss	-	-
	Reversal of impairment loss	-	-
	As at the end of the year	64 191	120 299
	Cost	285 141	285 141
	Accumulated amortisation and impairment losses	-220 950	-164 842

7	**INVESTMENT PROPERTY CARRIED AT COST**	**Vacant Land**	**Restated Vacant Land**
7.1	**Reconciliation of carrying value**	R	R
	As at Beginning of the Year	6 508 000	6 508 000
	Cost	6 508 000	6 508 000
	Change in accounting policy		-
	Accumulated depreciation and impairment losses	-	-
	Acquisitions	-	-
	Depreciation	-	-
	Carrying amount of disposals	-	-
	Cost	-	-
	Accumulated depreciation	-	-
	Impairment loss/ Reversal of impairment loss	-	-
	As at the End of the Year	6 508 000	6 508 000
	Cost	6 508 000	6 508 000
	Accumulated depreciation and impairment losses	-	-

The municipality has taken advantage of the transitional

The municipality has taken advantage of the transitional provisions of Directive 4 which are available to low capacity municipalities for the year ended June 30, 2011. Investment properties have therefore not been measured in accordance with GRAP 16 or the accounting policy above. A "provisional" amount has been determined by management, which will be used until the GRAP 16 measurement process is completed. It is anticipated that this process will be completed by June 30, 2012.

7.2 **Investment property pledged as security**

There are no investment properties pledged as security in the current year. (2010: nil)

7.3 **Rental income from investment properties**
Refer note 15.

		2 011	2 010
8	**RETIREMENT BENEFITS OBLIGATION**		
	8.1. Defined benefit plan		
	Statement of Financial Position obligation for :		
	Post-employment medical benefits	5 316 046	
	Pension benefits	-	
	Balance at the end of year	5 316 046	
	8.2. Statement of Financial Performance obligation for :		
	Post-employment medical benefits	5 316 046	
	Pension Benefits :	-	
	Defined Benefit Funds	-	
	Defined Contribution funds	-	
	Total, included in employee benefits expense	5 316 046	

8.3. Post-Retirement Medical Aid plan

The municipality operates on 6 accredited medical aid schemes, namely Key health, Discovery, Hosemed. Bonitas Samwumed and LA Health. Pensioners continue on the option they belonged to on the day on their retirement.

Movement in the defined benefit obligation is as follows :		
Balance at the begining of the year	-	
Current service cost	5 316 046	
Interest costs	-	
Actuarial (gains) losses	-	
Benefit payments	-	
Balance at end of year	5 316 046	

Key assumptions used

The principal actuarial assumptions used will be as follows

Discount rates used	7.50%
General increase to medical aid contributions	12%
Salary Inflation	8%
Expected retirement age Male	63
Expected retirement age Female	60
Proportion continuing membership at retirement	100%
Proportion of retiring members who are married	90%
Percentage Contribution on Medical Aid	20%
Future pension medical Inflation	12%

Other assumption :

Age of spouse - Husbands 5 years older than wives

Mortality of in-service members :	2%
In accordance with the SA 85 - 90 (Light) ultimate table	
(rated down 3 years for females)	
Mortality of pensioners :	12%
In accordance with the PA (90) ultimate male and female tables	

(No explicit assumption was made about additional mortality or health care costs due to AIDS)

Percentage of in-service members withdrawing before retirement :

age 20	85.72%
age 25	65.76%
age 30	50.20%
age 35	20.31%
age 40	6.23%
age 45	4%
age 50	2%
age 55+	1%
age 60+	0%

	2 011	2 010
8.4. Pension benefis		
The amount recognised in Statement of Financial Position were determined as follows :		
Present value of funded obligations	-	
Present value of the defined benefit obligation - partially or wholly funded	-	
Asset not recognised due to future surplus policy not yet established	-	
Surplus in the Statement of Financial Position	-	
RETIREMENT BENEFITS OBLIGATION (continued)		
Movement in the defined benefit obligation is as follows		
Balance at the beggining of the year	-	
Current Service Costs	-	
Contributions by plan participants	-	
Actuarial losses	-	
Interest costs	-	
Benefit payment	-	
Obligation not recognised due to future surplus policy not yet established	-	
Balance at end of year	-	
Movement in the fair value of plan assets is as follows :		
Actuarial gain (losses)	-	
Employer Contributions	-	
Employee Contributions	-	
Benefit payment	-	
Expected return of assets	-	
Asset not recognised due to future surplus policy not yet established	-	
Balance at end of year	-	
The amount recognised in the Statement of Financial Perfomance were as follows :		
Current service cost - Defined Benefit Funds	-	
Current service cost - Defined Contribution Funds	-	
Total Included in employee benefit expense	-	

9	**TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS**		
	Trade creditors	-	1 707 333
	Retentions on contracts with creditors	1 186 490	1 212 152
	Staff leave accrual	807 425	1 126 047
	Accrued lease liability	9 322	11 186
	Lease smoothing (asset) / liability	-	-1 864
	PAYE , UIF and SDL liability,	5 240 842	1 062 829
	Interest and Minor	-	
	Audit fee accrual	-	945 500
	Trade accruals	1 691 949	507 989
	Total creditors	8 936 029	6 571 172
	The fair value of trade and other payables approximates their carrying amounts. Trade creditors and accruals are normally paid within 30 – 60 days.		
10	**VAT Receivable**		
	VAT receivable	3 316 440	1 466 822

11	**Provision**	2 011	2 010
	Performance Bonus	-	71 747
	Land fill site	3 100 000	39 500
	Total Provision	3 100 000	111 247
	2011 Performance Bonus		
	As at 1 July 2010	-	-
	Contribution to Provision	-	71 747
	Expenditure Incurred	-	-
	Balance as at 30 June 2011	-	71 747
	2010 Perfomance Bonus		
	As at 1 July 2009		-
	Contribution to Provision		-
	Expenditure Incurred		-
	Balance as at 30 June 2010		-

The performance bonus is payable to the municipal manager. The provision is based on a percentage of the annual

	Landfill Site		
	As at begining of the year	39 500	39 500
	Contribution to Provision	3 060 500	
	Expenditure Incurred	-	
	Balance at the end of the year	3 100 000	39 500

The provision for landfill site is the cost of levelling the land in the next financial year. The landfill site is levelled on an annual basis, the provision is calculated based on the costs

12 **UNSPENT CONDITIONAL GRANTS AND RECEIPTS**

Unspent Conditional Grants from other spheres of Government 2011	Balance unspent at beginning of year 1 July 2010	Current year receipts	Conditions met - transferred to revenue	Conditions still to be met - remain liabilities 30 June 2011
MIG grant	4 299 640	*8 961 000*	10 189 327	3 071 313
Emafusini KNPA roads project	112 437			112 437
Financial management grant	273 898		273 898	-
Fire grant ex Amajuba	37 897			37 897
GIS grant	66 053			66 053
Health RSC-cemetery project	58 336			58 336
IMP monitoring system (KZN Province)	58 830			58 830
Kwagule bakery-reserves	53 440			53 440
Land use management systems	116 368		14 014	102 354
Management support programme	1 495 219			1 495 219
Municipal systems improvements	307 407		192 857	114 550
Performance management systems	310 262			310 262
Rural infrastructure	344 148			344 148
Storm relief	2 154 759			2 154 759
T/C IDP (inland planning)	89 813			89 813
T/C administrative facilities	44 336			44 336
Tourism support grant	208 529			208 529
Valuation roll-grant	165 000			165 000
MFMA grant	160 001			160 001
MAP grant	8 450			8 450
MPRA grant	-39 473		-39 473	-
FMG grant	1 687 371	*3 000 000*	4 687 371	-
MSIG grant	22 778	*750 000*	772 778	-
Amajuba DC grant	232 647			232 647
MIG retention	153 015	744 077	-	897 092
Mig Guarantee	-	831 208	-	831 208
Free basic electricity	244 287			244 287
Capacity building grant	206 946			206 946
Total Unspent Conditional Grants and Receipts	12 872 394	14 286 284	16 090 772	11 067 906
Non-current unspent conditional grants and receipts	12 872 394	14 286 284	16 090 772	11 067 906

12 **Unspent Conditional Grants from other spheres of Government - Cont** 2010

	Balance unspent at beginning of year 1 July 2009	Current year receipts	Conditions met - transferred to revenue	Conditions still to be met - remain liabilities 30 June 2010
MIG grant	1 712 601	13 053 538	10 466 499	4 299 640
Emafusini KNPA roads project	112 437		-	112 437
Financial management grant	273 898		-	273 898
Fire grant ex Amajuba	37 897		-	37 897
GIS grant	85 012		18 959	66 053
Health RSC-cemetery project	58 336		-	58 336
IMP monitoring system (KZN Province)	58 830		-	58 830
Kwagule bakery-reserves	53 440		-	53 440
Land use management systems	116 368		-	116 368
Management support programme	1 495 219		-	1 495 219
Municipal systems improvements	307 407		-	307 407
Performance management systems	310 262		-	310 262
Rural infrastructure	344 148		-	344 148
Storm relief	2 154 759		-	2 154 759
T/C IDP (inland planning)	89 813		-	89 813
T/C administrative facilities	44 336		-	44 336
Tourism support grant	208 529		-	208 529
Valuation roll-grant	165 000		-	165 000
MFMA grant	200 000		-	200 000
MAP grant	8 450		-	8 450
MPRA grant	-39 473		-	-39 473
FMG grant	529 308	2 750 000	1 591 937	1 687 371
MSIG grant	53 123	735 000	765 344	22 779
Amajuba DC grant	10 622	222 025	-	232 647
MIG retention	153 015		-	153 015
Free basic electricity	244 287		-	244 287
Total Unspent Conditional Grants and Receipts	8 994 570	16 760 563	12 842 739	12 912 394

Non-current unspent conditional grants and receipts

	8 994 570	16 760 563	12 842 739	12 912 394

	2011	2010

12.1. **DESCRIPTION OF GRANTS AND SUBSIDIES**

The description of the major grants and subsidies are detailed below:

MIG Grant

This grant is used to address backlogs in municipal infrastructure required for the provision of basic services in the community. The unspent portion will be used to complete the same infrastructure projects.

MSIG Grant

This grant is used for infrastructure and for capacity building and restructuring. The capacity building and restructuring grants were set up to assist the municipality in developing their planning, budgeting, financial management and technical skills.

FMG Grant

The main objective of this grant is to assist in the rollout of financial management reforms embodied in the MFMA through building capacity in financial management. The unspent portion will be used to complete the same projects.

MSP Grant

The main objective of this grant is to assist the municipality with the conversion from IMFO to GRAP. The grant was given in order to fund expenditure that was incurred to contract a consultant to assist with the conversion.

12.2 **Changes in levels of government grants**

Based on the allocations set out in the Division of Revenue Act, (Act 12 of 2009), no significant changes in the level of government grant funding are expected over the forthcoming three financial years.

13 **PROPERTY RATES**

Actual		
Residential	2 550 418	3 497 358
Commercial	5 093 380	6 984 491
State	257 211	352 711
Total property rates	7 901 010	10 834 560

		2 011 R	2 010 R
13	**PROPERTY RATES** (continued)		
	Valuations		
	Residential	320 266 000	320 266 000
	Commercial	491 881 400	491 881 400
	State	89 122 000	89 122 000
	Total Property Valuations	901 269 400	901 269 400
	Valuations on land and buildings are performed every four years. The last valuation came into effect on 02 June 2008. Interim valuations are processed as when municipality become aware of changes in the individual property values due to alterations.		
	Rate Randages		
	Rates randage - Dannhauser		
	Land	0.2235749c/R1	0.2235749c/R1
	Vacant Land	0.2784121c/R1	0.2784121c/R1
	Buildings	0.0115990c/R1	0.0115990c/R1
	Rates randage - Hattingspruit		
	Land	0.069750c/R1	0.069750c/R1
	Vacant Land	0.069750c/R1	0.069750c/R1
	Buildings	0.030616c/R1	0.030616c/R1
	Rates randage - Durnacol		
	Land	0.2235749c/R1	0.2235749c/R1
	Vacant Land	0.2784121c/R1	0.2784121c/R1
	Buildings	0.0115990c/R1	0.0115990c/R1
	Rates randage - Emfaseni		
	Land	0.225750c/R1	0.225750c/R1
	Vacant Land	0.225750c/R1	0.225750c/R1
	Buildings	0.121540c/R1	0.121540c/R1
	Non rateable land and buildings	86 934 000	86 934 000
	Rebate granted to qualifying pensioners	10%	10%
	Rates are levied on an annual basis with the final date of payment being 30 June 2009/10		
14	**SERVICE CHARGES**		
	Refuse removal	702 729	635 985
	Total service charges	702 729	635 985
15	**RENTAL RECEIVED**		
	Rental of investment properties	97 526	87 710
	Total rentals	97 526	87 710
16	**INTEREST EARNED**		
	Interest earned on long outstanding receivables	-	490 504
	Interest earned on external investments	1 175 318	1 147 646
	Total interest	1 175 318	1 638 150
17	**FINES**		
	Library fines	14 392	9 835
	Traffic fines	157 497	88 700
	Total fines	171 889	98 535

		2 011	2 010
18	**LICENCES AND PERMITS**		
	Plan fees & Divers License	289 137	313 248
	Learners licence	348 304	369 312
	Vehicle licence	494 456	313 588
	Total licences and permits	1 131 896	996 148
19	**GOVERNMENT GRANTS AND SUBSIDIES**		
	Equitable share	34 578 488	24 800 537
	MSIG	965 634	
	FMG	4 961 269	
	Councilors allowances grants	-	1 174 000
	MIG grant	10 189 327	10 466 499
	Other Government grants and subsidies	-25 459	2 322 315
	Total Government grants and subsidies	50 669 260	38 763 351
19	**GOVERNMENT GRANTS AND SUBSIDIES**	-0	
19.1	**Equitable Share**		
	In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.	-34 578 488	-24 800 537
19.2	**Councillors allowances grant**		
	The councillors' allowances grant is an allocation of	-	-1 174 000
20	**OTHER INCOME, PUBLIC CONTRIBUTIONS AND DONATIONS**		
	Other Income		
	Rates clearing certificates	15 965	10 426
	Cemetery fees	19 782	12 216
	Encroachments	1 351	1 351
	Drivers license cards	194 414	195 716
	Sundry Income	122 868	118 123
	Total Other Income	354 380	337 832
21	**EMPLOYEE RELATED COSTS**		
	Employee related costs – Salaries and Wages	8 800 796	8 907 143
	Employee related costs – Contributions for UIF,	1 497 964	1 370 052
	Travel, Motor Car, Accommodation, Subsistence and	4 483 185	4 729 289
	Housing benefits and allowances	16 504	24 998
	Overtime Payments	372 072	387 377
	Performance and other bonuses	785 339	485 578
	Other employee related costs	195 405	155 915
	Remunaration of councillors separately disclosed in note 22	-4 088 690	-4 144 631
	Total employee related costs	12 062 576	11 915 721
	Remuneration of the Municipal Manager	-0	
	Annual Remuneration	379 527	358 860
	Perfomance Bonus		
	Travel, Motor Car, Accommodation, Subsistence and other allowances	145 215	198 041
	Contributions to UIF, Medical and Pension Funds	43 422	40 998
	Total	568 164	597 899
	Remuneration of the Chief Finance Officer		
	Annual Remuneration	97 234	233 361
	Perfomance Bonus		
	Travel, Motor Car, Accommodation, Subsistence and other allowances	27 326	69 463
	Contributions to UIF, Medical and Pension Funds	24 310	53 427
	Total	148 870	356 251

21 **EMPLOYEE RELATED COSTS** (continued)

Remuneration of individual executive directors	**2011**	**Technical Services**	**Secretarial Services**	**Community Services**
Annual Remuneration		226 065	211 256	205 919
Performance and other bonuses (13th Cheque R18 049.42)		18 425	16 270	18 418
Travel, Motor Car, Accommodation, Subsistence and other allowances		61 996	65 416	78 462
Contributions to UIF, Medical and Pension Funds		55 673	63 432	91 616
Total		**362 159**	**356 374**	**394 414**

Remuneration of individual executive directors	**2010**	**Technical Services**	**Secretarial Services**	**Health Services**
Restated 2010				
Annual Remuneration		214 502	193 698	193 698
Performance and other bonuses		18 425	15 092	16 638
Travel, Motor Car, Accommodation, Subsistence and other allowances		82 559	76 702	87 817
Contributions to UIF, Medical and Pension Funds		57 324	83 744	58 436
Total		**372 810**	**369 236**	**356 589**

22 **REMUNERATION OF COUNCILLORS**

	2 011	**2 010**
Executive Mayor (allowance and travel)	270 000	293 988
Deputy Executive Mayor (allowance and travel)	266 615	224 843
Speaker (allowance and travel)	275 019	235 986
Executive Committee Members (allowance and travel)	512 709	429 071
Councillors (allowance and travel)	2 764 347	2 343 097
Councillors' pension and medical aid contributions	-	409 361
All Councillors' phone and subsistence allowances	-	208 285
Executive Councillors	-	53 475
Non-executive councillors	-	154 810
Total councillors' remuneration	4 088 690	4 144 631
Summary:		
Executive councillors	1 049 324	1 371 426
Other councillors	3 039 366	2 773 205
	4 088 690	4 144 631

22 **REMUNERATION OF COUNCILLORS** (continued)

The Executive Mayor, Deputy Executive Mayor, Speaker and Executive Committee Members are all part time. The Executive Mayor is entitled to the use and enjoyment of a vehicle at no cost to her. This vehicle is leased by the Council from Fleet Africa. An office is also provided to the mayor which includes a full time personal assistant.

23 **DEPRECIATION,AMORTISATION AND IMPAIRMENT**

	2 011	**2 010**
Property, plant and equipment	21 498 719	803 266
Intangible assets	56 108	48 013
Impairment on property, plant and equipment	-	689 299
Total depreciation, amortisation and impairment	21 554 827	1 540 578

24 **FINANCE COSTS**

Borrowings	-	-
Total finance costs	-	-

		2 011	2 010
25	**REPAIRS AND MAINTENANCE**		
	Road marking	-	82 705
	Streets and drainage	1 057 369	699 254
	Sidewalks	117 227	123 332
	Refuse site	71 416	38 000
	Fire houses	33 790	6 857
	Tool and Equipment	3 881	3 792
	Bridges	207 983	308 467
	Equipment	167 553	354 097
	IT support	34 411	117 860
	Fencing	462 706	380 923
	Vehicle maintenance	320 515	337 690
	Building and offices	304 572	68 225
	Office Furniture And Equipment	27 965	
	Plant and Equipment	426 708	
	Festival Decorations	5 410	
	Garden and Open Space	8 246	
	Street Lights	14 651	
	Total	3 264 404	2 521 202

		2 011	2 010
26	**GRANTS AND SUBSIDIES EXPENSES**		
	Cemetry Upgrade	121	
	Capacity building grant	-	71 688
	Equitable share : FBS & FBE	606 698	545 278
	HIV / Aids Program – DTLG Grant	-	393 073
	Lums	14 014	-
	MIG Municipal Infrastructure Grant	10 189 327	-
	MPRA Municipal Prop Rates Act	-39 473	-
	FMG Finance Management Grant	4 961 269	1 550 516
	MSIG – IMFO technician	965 634	659 099
	Total	16 697 591	3 219 654

27	**GENERAL EXPENSES**		
	Advertisements	136 211	94 077
	Audit fees	-566 518	1 638 752
	Provision for bad debt	-	3 606 603
	Bank charges	117 025	78 834
	Books and publications	5 743	12 832
	Burial of destitute	148 376	54 815
	Catering	91 532	89 268
	Cemetery upgrade	-	59 930
	Chemicals	13 300	27 500
	Cleaning materials	26 740	29 126
	Commemoration	-	138 793
	Condolatory fund	61 256	187 548
	Computer costs	-	404 738
	Computer programs	-	-
	Conferences and seminars	309 076	236 714
	Council ward committee	348 090	123 912
	Culture	346 999	246 602
	Deeds	-	-
	Disabled projects	81 083	157 281
	Disaster rehabilitation	-	156 948
	Electricity	442 853	275 023
	Entertainment (mayor)	80 712	49 731
	Facilitation	1 155	19 673
	Financial management expenses	-	227
	Gazetting expenses	-	-
	Gender	399 159	189 099
	Hire of Machinery	3 031 250	690 341
	Insurance	616 658	241 079
	Loose tools	948	9 603
	Leave encashment	-	38 789
	LED	468 459	205 483
	Legal costs	303 244	234 088
	Levies	-	-
	Library – lost books	-	627
	License fees	22 799	11 141
	Marketing and corporate	163 388	119 210
	Mayoral car	9 697	52 581
	Mayoral fund	347 342	187 489
	Mayoral projects	319 418	154 489
	Mayoral publicity	300 778	197 206

GENERAL EXPENSES CONT	2 011	2 012
Medical waste	-	-
Membership fees	1 650	50 000
Municipal bulletin	53 220	39 743
Consulting fee	-	1 458 580
Office equipment and furniture	1 037	194 956
Postage	93 074	51 260
Poverty alleviation	130 000	26 120
Printing and stationary	139 177	322 827
Professional services	296 218	138 091
Professional fees	110 000	138 692
Promote IDP	192 425	628 324
Promote public participation	432 631	19 026
Public Sattisfaction Survey	181 174	
Protective clothing	-	57 367
Provision for performance bonus	-	71 747
Provision for leave pay	-318 622	660 731
Provision for landfill restoration	-	39 500
Refuse bins/bags	75 011	-
Rental land	36 655	32 730
Rental of vehicles	-	112 120
Rental office machine	583 873	311 628
Road Marking	70 226	
Safety equipment	336	-
Security and alarms	1 076 736	704 527
Senior citizen / Disaster Management	2 863 450	934 557
Sewer	-	-
Sports	364 721	364 367
Sports fields	34 106	23 557
Stock material and other	102 340	15 712
Subscriptions	2 812	1 489
Sundry expenses	34 915	2 770
Surgical supplies	-	-
Telephone	550 647	360 472
Tourism	-	693
Town cleaning	4 300	16 419
Training direct expense	253 264	365 656
Translations/interpretation	-	15 000
Transport official vehicles	764 352	553 435
Valuation appeal board	148 584	64 193
Valuation costs	-	-
Valuation roll	-	-
Valuation reduction	178 470	3 471 539
Water	90 990	72 291
Workman's compensation	-28 477	-
Meeting Sub Travelling	888 984	
HIV Aids Grant Expenditure	261 899	
Storm Releave DOE	-	
Subsistance and Travelling	534 286	
Travelling Costs IT Support	-	
Parking Expenses	-	
Valuation Interim	66 345	
By Law and Acts	26 770	
Alternative Energy	923 332	
Deeds	-	
Job Evaluation Outcome	-	
Councillors Exit Report	155 720	
Provision for Isndfill Site	3 060 500	
Unallocated Receipt	-972 494	
Bad Debt	-3 290 977	
Medical Waiste	-	
Project Launch Costs	167 100	
Ward Constituancy Meeting	307 333	
Seeds and Plants	3 496	
Skills Levy	135 870	
Youth	9 217	332 561
	18 423 450	21 672 832

		2 011	2 012
28	**CASH GENERATED BY OPERATIONS**		
	Surplus for the year	-19 309 640	8 377 660
	Adjustment for :		
	Deperciation and Impairments	21 660 893	851 279
	Impairments	-	689 299
	Provision for Bad Debts	-	3 606 603
	Interest on long term receivables	-	-490 504
	Provision for performance bonus and landfill site	-	111 247
	Leave pay accrual (non cash)	-	660 371
	Smoothing of operating lease liability	-	-1 864
	Prior Year PAYE, VAT and SDL	-4 178 213	-
	Operating surplus before working capital changes:	**-1 826 960**	**13 804 091**
	(Increase)/decrease in trade receivables	-6 776 977	-3 611 287
	(Increase)/decrease in VAT receivables	-1 849 618	-45 206
	PPE	17 713 159	
	Housing Development Fund	3 402	
	Increase/(decrease) in unspent conditional grant liability	-1 844 488	3 971 749
	Provisions	2 988 753	
	Revaluation Reserve	-	
	Increase/(Decrease) in Post Retirement Benefit	5 316 046	
	Increase/(decrease) in trade payables	2 364 857	4 251 125
	Cash Generated From Operating Activities	**16 088 174**	**18 370 472**
	Sales of goods and services	10 005 050	12 652 938
	Grants received	50 669 260	38 763 351
	Interest received	1 175 318	1 638 150
	(Increase)/decrease in VAT receivables	-1 849 618	
	Other reciept	354 380	337 832
	(Increase)/Decrease in trade recievables	-6 776 977	3 611 287
	Increase/(Decrease) in provision	2 988 753	-1 886 548
	Cash receipts from ratepayers, government and other	**65 192 761**	**55 117 010**
	Employee costs	16 151 265	16 060 352
	Other payments	48 664 791	25 734 612
	Less Depreciation	-25 839 106	-
	Grant Expenditure	16 697 591	3 219 654
	Increase/(Decrease) in Post Retirement Benefit	5 316 046	
	Increase/(Decrease) in conditional grants	-1 844 488	-3 971 749
	Increase/(Decrease) in trade payables	2 364 857	-4 251 125
	(Increase)/Decrease in Provisions	2 988 753	-45 206
	Cash paid to suppliers and employees	**64 499 710**	**36 746 538**
	Cash Generated From Operating Activities	**-12 111 756**	**18 370 472**

29 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

29.1 Unauthorised Expenditure

There was no identified unauthorised expenditure for the year under review (2011: nil)

29.2 Fruitless and Wasteful Expenditure

There was no identified fruitless and wasteful expenditure for the year under review (2011: nil)

29.3 Irregular expenditure

There was no identified irregular expenditure for the year under review (2011: nil)

30 PROPERTY, PLANT AND EQUIPMENT RESTATEMENT

Assets had been identified in the current financial period that had been previously written off but are still in use. The effect of this has been a credit to opening accumulated surplus and a debit to the cost of the assets.

Effect on Property Plant and Equipment		176 462
Machinery and equipment	-	37 303
Furniture and office equipment		102 060
Computer equipment		37 099
Effect on opening accumulated surplus:		-176 462

31 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT

31.1 Contributions to organised local government

Opening Balance	-	187 799
Council subscriptions		125 400
Amount paid – current year		-125 400
Amount paid – previous years		-187 799
Balance unpaid (included in payables)		-

31.2 Audit fees

	-	-
Opening balance	945 500	708 475
Current year audit fee	977 418	945 500
Amount paid – current year	-	-
Amount paid – previous years	-945 500	-1 401 727
Prior year under provision	-	693 252
Balance unpaid (included in payables)	977 418	945 500

31.3 VAT

VAT input receivables and VAT output payables are shown in note 10. All VAT returns have been submitted by the due date throughout the year.

	3 316 440	**1 466 822**

PAYE and UIF

Opening balance	1 062 829	-
Current year payroll deductions	4 178 213	2 544 984
Amount paid – current year	-	-1 482 155
Amount paid – previous years		-
Balance unpaid (included in payables)	**5 241 042**	**1 062 829**

Pension and Medical Aid Deductions

Opening balance	-	-
Current year payroll deductions and council contributions	531 614	3 091 222
Amount paid – current year	-531 614	-3 091 222
Amount paid – previous years	-	-
Balance unpaid (included in payables)	-	-

	2 011	**2 010**

33.4 Councillor's arrear consumer accounts

	Total	Outstanding Less than 90 Days	Outstanding More than 90 Days
The following councillors had arrear accounts outstanding for more than 90 days as at:			
	-	-	-
As at 30 June 2011:	-	-	-
There were no councillor's arrears consumer accounts during 2010.	-	-	
	-	-	-
As at 30 June 2010	-	-	-
Councillor L M Ndlovu	-	-	-
Total Councillor Arrear Consumer Accounts	-	-	-

Risk Management

In accordance with Section 62(1)(`c)(i) of Municipal Finance Management Act (MFMA),the municipality has not yet adopted a risk management policy and fraud prevention plan.

		2 011	2 010
34	**COMMITMENTS**		
34.1	Commitments in respect of capital expenditure	-	
		-	
	- Approved and contracted for	**11 067 906**	**11 208 513**
	Infrastructure	11 067 906	10 880 662
	Community	-	327 851
	- Approved but not yet contracted for	-	**35 636 719**
	Infrastructure	-	30 649 338
	Community	-	4 987 381
	Total	**11 067 906**	**46 845 232**
	- External Sources	**11 067 906**	**46 845 232**
	Total	**11 067 906**	**46 845 232**
34.2	**Operating leases**		
	At the reporting date the entity has outstanding commitments under operating leases which fa	-	-
	Operating leases - as lessee	-	-
	Within one year	365 089	365 089
	In the second to fifth year inclusive	177 118	542 207
	After five years	-	-
	Total	542 207	907 296

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of five years. Operating leases are containing 10% Escalations clause and renewals are defined on the lease agreement and there are no restriction on the leased properties. Assets subject to operating lease are listed under investment properties.

Operating leases - as lessor	-	-
Minimum lease payments due	-	-
Within one year	24 705	24 705
In the second to fifth year inclusive	124 187	148 892
After five years	-	-
Total	148 892	173 597

Operating leases consist of the following:
Land and buildings that are let out by the municipality to residents in the Dannhauser community. No contingent rentals are receivable. The leases operate on a month to month basis. Operating leases containing escalation clauses are at 10% per annum.

35 RETIREMENT BENEFIT INFORMATION

The Council and its employees contribute to the Natal Joint Municipal Pension Fund's three funds which provide retirement benefits to such employees.

The funds are subject to the Pension Funds Act 1956, and are self administered, defined benefit plans. Pensions are calculated on the average annual pensionable emoluments during the last years of service. Current contributions are charged against operating income on the basis of current service costs. Full actuarial valuations are performed every three years.

		2 011	2 010

These are not treated as defined benefit plans as defined by *IAS 19 Employee Benefits*, but are accounted for as defined contribution plans. This is in line with the exemption in IAS 19 par. 30 which states that where information required for defined benefit plan accounting is not available in respect of multi-employer and state plans, these should be accounted for as defined contribution plans. The municipality has been unsuccessful in obtaining the necessary information to support defined benefit plan accounting due to restrictions imposed by the multi-employer plan. It is therefore deemed impracticable to obtain this information at a suitable level of detail.

Certain employees of the municipality belong to the Natal Joint Municipal Pension Fund (retirement), Natal Joint Municipal Pension Fund (provident) and Natal Joint Municipal Pension Fund (superannuation) which are administered by the Province.

These funds are subject to a triennial valuation. The last independent valuation was performed on the 31 March 2008 for the Superannuation fund and 31 March 2009 for the Retirement fund. These valuations indicated a surplus of R111.8 million (2009: R111.8 million) in respect of the Superannuation Fund and a surplus of R15.4 million (deficit of R 204.8 million in 2009) in respect of the Retirement fund.

The liabilities of the Provident Fund exceeded the assets, resulting in a deficit of R3.25 million. The deficit of R3.25 million (2009: R 3.25 million) will be met from future investment earnings therefore the Fund is considered financially sound. The last independent valuation was performed on the 31 March 2008 for the Pension fund.
All contributions made by Council in respect of employees retirement funding has been expensed and are included in employee related costs for the year.

36 CONTINGENT LIABILITY

There were no contingent liabilities for the year under review (2010: nil).

37 IN-KIND DONATIONS AND ASSISTANCE

The municipality did not receive any in-kind donations and assistance.

38 RELATED PARTIES

Compensation to councillors and other key management (refer to note 20 & 21):

Councillor PG Nair has a financial interest in Dannhauser Hydraulics Engineering which is a supplier of the Dannhauser Municipality

Related party balances
Amounts included in trade payables regarding related parties relate to Dannhauser Hydraulics Engineering

Related party transactions
Purchases from related parties
Dannhauser Hydraulics Engineering — 9 560 — 9 560

There are no outstanding related party balances at year end (2011\: nil)

39 EVENTS AFTER THE REPORTING DATE

There are no identified events after reporting date which required disclosure or adjustment

		2 011	2 010
40	**RISK MANAGEMENT**		
40.1.	**Maximum credit risk exposure**		
	Credit risk consists mainly of cash investments, cash held by the bank and receivables. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party. The municipality's trade receivables mainly consist of community debtors for services rendered by the municipality such as rates and refuses.		
	Financial assets exposed to credit risk at year end were as follows:		
	Cash at bank	-824 477	6 273 740
	Investments	22 933 673	21 408 174
	Trade and other receivables	8 107 917	1 330 940
	These balances represent the maximum exposure to credit risk.		
40.2	**Liquidity risk**		
	The municipality's risk to liquidity is as a result of the		
40.3	**Interest rate risk**		
	As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates. The municipality has no interest bearing liabilities.		
	At year end, financial instruments exposed to interest rate risk were as follows: Based on the movements of interest rates in the preceding two years an increase and decrease of 200 base points had been used in the sensitivity analysis.		
	Investments	22 933 673	21 408 174
	Sensitivity Analysis:		
	Effect on profit before tax		
		2% increase in current interest rates	2% increase in current interest rates
	Investments	458 673	428 163

41	**RESTATEMENT OF COMPARATIVE INFORMATION**	
	Comparative figures have been restated as follows:	
41.1.	**Change in accounting framework**	
	The municipality has adopted Generally Recognised Accounting Practice (GRAP) in the prior financial year and as such restated comparative amounts to reflect GRAP compliance in the 2011 financial year. The effect of the change in accounting policies are shown in note 43	
41.2.	**Reclassifications**	
	The municipality has reclassified the provision for leave pay and provision for audit fees from provisions in the prior year to accruals in the current year. Comparatives have been reclassified accordingly.	
42	**COMPARISON WITH THE BUDGET**	
	The comparison of the municipality's actual financial performance with that budgeted for is set out in Appendix B.	

DANNHAUSER MUNICIPALITY

NOTE 43 : ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2011

2011	Cost/Revaluation					Accumulated Depreciation					Carrying Value
	Opening Balance	Previously written off assets	Additions	Disposals	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment	Closing Balance	Total
	R	R	R	R	R	R	R	R	R	R	R
Land											
Land	1 138 950	-	-	-	1 138 950	-	-	-	-	-	1 138 950
	1 138 950	**-**	**-**	**-**	**1 138 950**	**-**	**-**	**-**	**-**	**-**	**1 138 950**
Buildings											
Buildings	212 605 957	-	-	-	212 605 957	-59 882 586	-4 307 636	-	-	-64 190 222	148 415 735
	212 605 957	**-**	**-**	**-**	**212 605 957**	**-59 882 586**	**-4 307 636**	**-**	**-**	**-64 190 222**	**148 415 735**
Infrastructure											
Carparks, Bus Terminals	6 324 645				6 324 645	-2 886 349	-216 942			-3 103 290	3 221 355
Carports	3 907 800				3 907 800	-1 064 007	-238 593			-1 302 600	2 605 200
Cemetry	3 190 950				3 190 950	-906 750	-			-906 750	2 284 200
Lightning	2 491 200				2 491 200	-1 322 160	-72 280			-1 394 440	1 096 760
Road Signs & Street Names	252 000				252 000	-151 200	-25 200			-176 400	75 600
Roads	234 699 755				234 699 755	-103 026 224	-15 391 022			-118 417 246	116 282 509
Sport and Recreation	1 998 340				1 998 340	-987 929	-77 980			-1 065 908	932 432
Storm Water	6 188 591				6 188 591	-3 888 866	-123 772			-4 012 638	2 175 953
Other	262 153 281		-		262 153 281	-114 233 484	-16 145 789			-130 379 273	131 774 008
	521 206 562	**-**	**-**	**-**	**521 206 562**	**-228 466 968**	**-32 291 577**	**-**	**-**	**-260 758 545**	**260 448 017**
Heritage Assets											
Municipal Jewellery	55 576	-	-	-	55 576	-	-	-	-	-	55 576
	55 576	**-**	**-**	**-**	**55 576**	**-**	**-**	**-**	**-**	**-**	**55 576**
Other Assets											
Machinery and Equipment	1 099 975	-	346 096	-	1 446 071	-509 667	-146 135			-655 802	790 269
Furniture and Office Equipment	1 264 742	-	242 777	-	1 507 519	-533 508	-185 073			-718 580	788 939
Computer Equipment	1 382 645	-	118 674	-	1 501 319	-657 231	-233 837			-891 068	610 251
Motor Vehicles	2 727 511	-	3 134 120	-	5 861 631	-864 740	-480 249			-1 344 989	4 516 642
	6 474 873	**-**	**3 841 668**	**-**	**10 316 541**	**-2 565 146**	**-1 045 294**	**-**	**-**	**-3 610 440**	**6 706 101**
Total	**741 481 918**	**-**	**3 841 668**	**-**	**745 323 586**	**-290 914 700**	**-37 644 507**	**-**	**-**	**-328 559 208**	**416 764 378**

DANNHAUSER MUNICIPALITY
NOTE 43 : ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2011

Restated 2010 - RESTATED	Cost/Revaluation					Accumulated Depreciation					Carrying Value
	Opening Balance	Revaluation	Additions	Disposals	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance	Total
	R	R	R	R	R	R	R	R	R	R	R
Land											
Land	1 239 792	-100 842	-	-	1 138 950	-	-	-	-	-	1 138 950
	1 239 792	**-100 842**	**-**	**-**	**1 138 950**	**-**	**-**	**-**	**-**	**-**	**1 138 950**
Buildings											
Buildings	4 676 920	205 653 522	2 275 515	-	212 605 957	-59 720 915	-147 906	-	-13 765	-59 882 586	152 723 371
	4 676 920	**205 653 522**	**2 275 515**	**-**	**212 605 957**	**-59 720 915**	**-147 906**	**-**	**-13 765**	**-59 882 586**	**152 723 371**
Infrastructure											
Carparks, Bus Terminals		6 324 645			6 324 645	-2 886 349				-2 886 349	3 438 297
Carports		3 907 800			3 907 800	-1 064 007				-1 064 007	2 843 793
Cemetry		3 190 950			3 190 950	-906 750				-906 750	2 284 200
Lightning		2 491 200			2 491 200	-1 322 160				-1 322 160	1 169 040
Road Signs & Street Names		252 000			252 000	-151 200				-151 200	100 800
Roads		234 699 755			234 699 755	-103 026 224				-103 026 224	131 673 531
Sport and Recreation		1 998 340			1 998 340	-987 929				-987 929	1 010 411
Storm Water	-	6 188 591	-	-	6 188 591	-3 888 866	-	-	-	-3 888 866	2 299 725
Other	-	262 153 281	-	-	262 153 281	-114 233 484	-	-	-	-114 233 484	147 919 797
	-	**521 206 562**	**-**	**-**	**521 206 562**	**-228 466 968**	**-**	**-**	**-**	**-228 466 968**	**292 739 594**
Heritage Assets											
Municipal Jewellery	55 576	-	-	-	55 576	-	-	-	-	-	55 576
	55 576	**-**	**-**	**-**	**55 576**	**-**	**-**	**-**	**-**	**-**	**55 576**
Other Assets											
Machinery and Equipment	948 586	37 303	114 086	-	1 099 975	-379 622	-115 755	-	-14 290	-509 667	590 308
Furniture and Office Equipment	844 065	102 060	318 617	-	1 264 742	-377 866	-153 797	-	-1 845	-533 508	731 234
Computer Equipment	906 588	37 099	438 958	-	1 382 645	-490 860	-165 950	-	-421	-657 231	725 414
Motor Vehicles	1 356 669	791 039	579 803	-	2 727 511	-682 480	-144 906	-	-37 354	-864 740	1 862 771
	4 055 908	**967 501**	**1 451 464**	**-**	**6 474 873**	**-1 930 828**	**-580 408**	**-**	**-53 910**	**-2 565 146**	**3 909 727**
Total	**10 028 196**	**727 726 743**	**3 726 979**	**-**	**741 481 918**	**-290 118 711**	**-728 314**	**-**	**-67 675**	**-290 914 700**	**450 567 218**

DANNHAUSER MUNICIPALITY

NOTE 44 : STATEMENT OF COMPARATIVE AND ACTUAL INFORMATION AS AT 30 JUNE 2011

Financial Performance	*Original Budget*	*Budget adjustment (i.t.o. S28 & S31 of the MFMA)*	*Final Budget*	*Actual Outcome*	*Variance*	*Actual Outcome as % of Final Budget*	*Actual Outcome as % of Original Budget*
	R	*R*	*R*	*R*	*R*	*%*	*%*
Property rates	7 876 000	-	7 876 000	7 901 010	-25 010	0%	0%
Service charges	687 000	-	687 000	702 729	-15 729	-2%	-2%
Interest earned	1 084 000	-	1 084 000	1 175 318	-91 318	-8%	-8%
Government grants and subsidies	53 190 000	-	53 190 000	50 669 260	2 520 740	5%	5%
Other Income	1 705 000	-8 675 487	10 380 487	1 755 690	8 624 797	83%	506%
Total Revenue	**64 542 000**	**-8 675 487**	**73 217 487**	**62 204 008**	**11 013 479**	**15%**	**17%**
Employee related costs	18 788 000	6 463 715	12 324 285	12 062 576	261 709	2%	1%
Remuneration of councillors	3 181 000	-610 403	3 791 403	4 088 690	-297 287	-8%	-9%
Post Retirement Benefit				5 316 046			
Depreciation, impairment and amortisation expense	989 000	70 000	919 000	21 660 893	-20 741 893	-2257%	-2097%
Finance costs	2 035 000	922 000	1 113 000	-	1 113 000	100%	55%
Grants and subsidies expense	16 322 000	-	16 322 000	16 697 591	-375 591	-2%	-2%
Other expenditure	42 749 243	4 001 444	38 747 799	21 687 853	17 059 946	44%	40%
Total Expenditure	**84 064 243**	**10 846 756**	**73 217 487**	**81 513 648**	**-2 980 115**	-4%	**-4%**
Surplus/(deficit)	**-19 522 243**	**-19 522 243**	**0**	**-19 309 640**	**13 993 595**	**19%**	**21%**
	-						
Capital Expenditure & Funds Sources							
Capital Expenditure							
Capital Expenditure							
Transfers recognised: Capital	23 632 750	-962 760	24 595 510	19 932 440	4 663 070	19%	-
Public contribution, donations and grants	-	-	-	-	-		-
Borrowings	-	-	-	-	-		-
Internally generated funds	-	-	-	-	-		0%
Total Sources of capital fund	**23 632 750**	**-962 760**	**24 595 510**	**19 932 440**	**4 663 070**	**19%**	**0%**